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BEFORE THE ARIZONA CORPORATION COMMISSION
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2010 JUL 22 A 8:23

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
MOUNT TIPTION WATER COMPANY, INC.
FOR AN INCREASE IN ITS WATER RATES.

DOCKET NO. W-02105A-09-0522

**STAFF'S NOTICE OF FILING
TESTIMONY SUMMARIES**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Testimony Summaries
of Staff witnesses Alexander Igwe and Dorothy Hains of the Utilities Division in the above docket.

RESPECTFULLY SUBMITTED this 22nd day of July 2010.

Kimberly A. Ruht, Staff Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing filed this
22nd day of July, 2010, with:

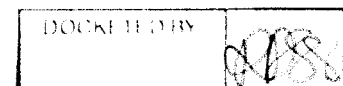
Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

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Arizona Corporation Commission
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JUL 22 2010



1 Copy of the foregoing mailed this
2 22nd day of July, 2010, to:

3 Steve Wene, Esq.
4 Moyes Sellers & Sims, Ltd.
5 1850 North Central Avenue
6 Suite 1100
7 Phoenix, Arizona 85004

8 Kaup Christine

**SUMMARY OF TESTIMONY
STAFF WITNESS ALEXANDER IGWE**

**MOUNT TIPTON WATER COMPANY
DOCKET NO. W-02105A-09-0522**

The testimony of Staff witness Alexander Igwe addresses the following issues:

Rate Base

Staff recommends the reduction of customer security deposits from rate base as appropriate rate making adjustment because it precludes investors from earning a return on non-investor provided capital.

Operating Revenues

Staff proposes to normalize test year revenues based on customer count at test year end in the effort to correct the mismatch that occurred with the Company's proposal to annualize test year operating revenue that was derived from the customer count as of May 2010. Although, revenue annualization is an acceptable ratemaking mechanism, the Company's proposal to annualize test year revenues based on a customer count eleven months outside the test year created this mismatch.

Purchased Power

Staff is recommending a reduced purchased power expense based on pumping cost related to serving test year end customer count. The Company has annualized its purchased power expense to reflect the impact of its annualized revenue on pumping power costs derived from the customer count as of May, 2010. This proposal is based on a flawed premise as discussed under operating revenues.

Staff recommends additionally reducing purchased power cost by \$4,722 to account for expense related to its excess water loss. Further, the Company contends that its water loss was less than 10 percent in the first quarter of 2010. Staff's review of the Company's data indicates that its water loss is erratic and the data does not support the claim that it now suffers less than 10 percent water loss as was ordered by the Commission in Decision No. 67162.

Property Tax Expense

The Company disagrees with the result of Staff's use of an adaptation of the Arizona Department of Revenue ("ADOR") methodology for calculating property tax expense. This method has been adopted by the Commission in water proceedings for the last six years. Staff continues to recommend the use of this method for calculating property tax expense.

Rate Design

Staff continues to recommend recovery of its recommended rate increase through commodity rates, not through an increase in the monthly minimum as the Company recommends. Staff's recommendation will increase the monthly bill of a residential customer on a 5/8 x 3/4-inch meter with a median consumption of 2,305-gallons from \$24.65 to \$27.41, an increase of \$2.76 or 11.2 percent.

**SUMMARY OF TESTIMONY
STAFF WITNESS DOROTHY HAINS**

**MOUNT TIPTON WATER COMPANY, INC.
DOCKET NO. W-02105A-09-0522**

The testimony of Staff witness Dorothy Hains addresses the following issues:

Conclusions:

1. The Arizona Department of Environmental Quality ("ADEQ") has determined that Mount Tipton is currently in full compliance with its requirements and is delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (*See Section C for a discussion and details.*)
2. Mount Tipton is not located in an Active Management Area as designated by the Arizona Department of Water Resource ("ADWR"). ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems. (*See Section E of report for discussion and details.*)
3. Mount Tipton has an approved cross connection and backflow tariff.
4. A check of the Utilities Division Compliance database showed there are several delinquent compliance items for the Company. (*See Section D of report for discussion and details.*)
5. Staff concludes that the Company has adequate production and storage capacity to serve its existing customers and projected growth for a five-year planning horizon. (*See Section B of report for discussion and details.*)

Recommendations:

1. Staff recommends that Mount Tipton Water Company, Inc.'s ("Mount Tipton" or "Company") water testing expenses be adjusted to the annual expense amount of \$6,689 as shown in Table 2. (*See Section F of report for discussion and details.*)
2. Staff recommends approval of separate meter and service line installation charges as shown under the Staff Recommended columns in Table 6. (*See Section J of report for discussion and details.*)
3. Staff recommends that any rate increase resulting from this rate proceeding not become effective until the Company demonstrates that its water loss is less than 10 percent and it is in full compliance with Decision No. 67162 and Decision No. 70837. (*See Section D and G of report for discussion and details.*)
4. Staff recommends the depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category as delineated in Figure 5. (*See Section I of report for discussion and details.*)